



General Assembly

**Substitute Bill No. 6141**

January Session, 2007

\* \_\_\_\_\_HB06141FIN\_\_\_\_041807\_\_\_\_\_\*

**AN ACT CONCERNING ADEQUATE FUNDING OF THE TEACHERS' RETIREMENT SYSTEM.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1       Section 1. (NEW) (*Effective July 1, 2007*) The State Bond Commission  
2       shall have power, in accordance with the provisions of sections 1 to 8,  
3       inclusive, of this act, from time to time to authorize the issuance of  
4       bonds of the state in one or more series and in principal maturity  
5       amounts which in the aggregate generate proceeds sufficient to fund  
6       two billion dollars of the unfunded liability of the Teachers' Retirement  
7       Fund and to pay the costs of issuing such bonds and up to two years of  
8       interest on such bonds.

9       Sec. 2. (NEW) (*Effective July 1, 2007*) The proceeds of the sale of such  
10       bonds, to the extent hereinafter stated, shall be used for the purpose of:  
11       (1) Reducing the unfunded liability, as such term is defined in section  
12       10-183b of the general statutes, of the Connecticut teachers' retirement  
13       system, and (2) paying or providing for the costs related to the  
14       issuance of the bonds, including the initial costs of agreements and  
15       contracts permitted under section 3-20a of the general statutes with  
16       respect to such bonds, and up to two years of interest on such bonds.

17       Sec. 3. (NEW) (*Effective July 1, 2007*) Except as provided in section 5  
18       of this act, all provisions of section 3-20 of the general statutes or the  
19       exercise of any right or power granted thereby which are not

20 inconsistent with the provisions of this act are hereby adopted and  
21 shall apply to all bonds authorized by the State Bond Commission  
22 pursuant to sections 1 to 8, inclusive, of this act, and temporary notes  
23 issued in anticipation of the money to be derived from the sale of any  
24 such bonds so authorized may be issued in accordance with said  
25 section 3-20 and from time to time renewed. Such bonds shall mature  
26 at such time or times not exceeding thirty years from their respective  
27 dates as may be provided in or pursuant to the resolution or  
28 resolutions of the State Bond Commission authorizing such bonds.

29       Sec. 4. (NEW) (*Effective July 1, 2007*) None of said bonds shall be  
30 authorized except upon a finding by the State Bond Commission that  
31 there has been filed with it (1) a request for such authorization, which  
32 is signed by the Secretary of the Office of Policy and Management or  
33 on behalf of such state officer and stating such terms and conditions as  
34 said commission, in its discretion, may require, and (2) a written  
35 determination by the State Treasurer and the Secretary of the Office of  
36 Policy and Management that the issuance of the bonds is in the best  
37 interests of the state.

38       Sec. 5. (NEW) (*Effective July 1, 2007*) Proceeds of the bonds issued  
39 under sections 1 to 8, inclusive, of this act and all earnings on  
40 investments of proceeds of such bonds, to the extent not applied to the  
41 payment of costs related to the issuance thereof, shall be deposited in  
42 the custody of the State Treasurer in the fund for the Connecticut  
43 teachers' retirement system and, notwithstanding section 3-20 of the  
44 general statutes, shall be invested by the State Treasurer in the manner  
45 provided in section 3-13d of the general statutes for trust funds.

46       Sec. 6. (NEW) (*Effective July 1, 2007*) Said bonds issued pursuant to  
47 sections 1 to 8, inclusive, of this act, shall be general obligations of the  
48 state and the full faith and credit of the State of Connecticut are  
49 pledged for the payment of the principal of and interest on said bonds  
50 as the same become due, and accordingly and as part of the contract of  
51 the state with the holders of said bonds, appropriation of all amounts  
52 necessary for punctual payment of such principal and interest is

53 hereby made, and the State Treasurer shall pay such principal and  
54 interest as the same become due. Any net premium realized from the  
55 sale of said bonds shall be deemed appropriated to the payment of  
56 debt service on any bonds issued under this act, and the State  
57 Treasurer may apply such net premium to payment of such debt  
58 service.

59       Sec. 7. (NEW) (*Effective July 1, 2007*) Notwithstanding any provision  
60 of section 3-21 of the general statutes to the contrary, bonds authorized  
61 and bonds issued under sections 1 to 8, inclusive, of this act and any  
62 refunding bonds shall not be subject to the debt limitation in section 3-  
63 21 of the general statutes and shall not be included in indebtedness of  
64 the state for purposes of calculating the amount of indebtedness of the  
65 state which is subject to the debt limitation of section 3-21 of the  
66 general statutes, and sections 1 to 8, inclusive, of this act and action of  
67 the State Bond Commission shall not require any certification of the  
68 State Treasurer under section 3-21 of the general statutes.

69       Sec. 8. (NEW) (*Effective July 1, 2007*) Each fiscal year that any bonds  
70 authorized by sections 1 to 8, inclusive, of this act or any refunding  
71 bonds are outstanding, there shall be deemed appropriated from the  
72 General Fund of the state the amount equal to the annual required  
73 contribution to the fund for the Connecticut teachers' retirement  
74 system and such amount shall be deposited by the Treasurer in the  
75 fund for the Connecticut teachers' retirement system in quarterly  
76 allotments on July fifteenth, October first, January first and April first  
77 of such fiscal year. The amount of the annual required contribution  
78 shall be determined in accordance with the provisions of subsection (b)  
79 of section 10-183l and section 10-183z of the general statutes, as  
80 amended by this act, and for each biennial budget shall be the amounts  
81 for the fiscal years of said biennium determined in the actuarial  
82 evaluation required to be submitted by the December first prior to the  
83 beginning of the first fiscal year of the biennium, as provided in said  
84 subsection (b) of section 10-183l, beginning with the actuarial  
85 evaluation submitted prior to December 1, 2006, for the biennial  
86 budget for the fiscal years commencing July 1, 2007, and July 1, 2008.

87 Said amount shall be certified by the Teachers' Retirement Board and  
88 the Comptroller. The state of Connecticut does hereby pledge to and  
89 agree with the holders of any bonds issued under sections 1 to 8,  
90 inclusive, of this act and any refunding bonds that, as long as the  
91 actuarial evaluation for each biennium, as required by this section, and  
92 the certification of the annual contribution amounts, as required by  
93 this section, are completed in the manner and by the dates required by  
94 this section, subsection (b) of section 10-183l of the general statutes and  
95 subsection (a) of section 10-183z of the general statutes, as amended by  
96 this act, no public or special act of the General Assembly shall diminish  
97 such required contribution until such bonds, together with the interest  
98 thereon, are fully met and discharged, provided nothing herein  
99 contained shall preclude such limitation or alteration if and when  
100 adequate provision shall be made by law for the protection of the  
101 holders of such bonds. The State Treasurer is authorized to include this  
102 pledge and undertaking for the state in such bonds.

103 Sec. 9. Section 10-183c of the general statutes is repealed and the  
104 following is substituted in lieu thereof (*Effective July 1, 2007*):

105 (a) The Connecticut teachers' retirement system is established to  
106 provide retirement and other benefits for teachers, their survivors and  
107 beneficiaries. On or after a member vests in the system by becoming  
108 eligible to receive a retirement benefit pursuant to section 10-183f, or  
109 accumulates ten years of credited service in the system, as defined in  
110 subsection (a) of section 10-183e, whichever is later, the member's  
111 benefit under sections 10-183e, 10-183f, 10-183g, 10-183h and 10-183aa  
112 is contractual in nature and no public or special act of the General  
113 Assembly shall diminish such benefit, provided this section shall apply  
114 only to an active member who is vested on October 1, 2003, or to a  
115 member who vests or accumulates ten years of credited service on or  
116 after October 1, 2003, and shall apply to the member's benefit in  
117 existence on October 1, 2003, or to the member's benefit in existence on  
118 the date the member vests or accumulates ten years of credited service,  
119 respectively, whichever is later. [Nothing in this section shall affect the  
120 provisions of section 10-183t or 10-183z. On or after October 1, 2003,

121 any public or special act enhancing the benefits of the system shall be  
122 subject to the provisions of this section. ]

123 (b) In addition to the benefits described in subsection (a) of this  
124 section, upon the issuance of bonds authorized by sections 1 to 8,  
125 inclusive, of this act, all benefits of all members of the teachers'  
126 retirement system as of said issuance shall be construed to be  
127 contractual in nature, as long as the bonds issued in accordance with  
128 sections 1 to 8, inclusive, of this act, or any subsequent  
129 reauthorizations of said bonds remain outstanding.

130 (c) Nothing in this section shall affect the provisions of section 10-  
131 183t or 10-183z, as amended by this act.

132 Sec. 10. Subsection (l) of section 10-183g of the general statutes is  
133 repealed and the following is substituted in lieu thereof (*Effective July*  
134 *1, 2007*):

135 (l) (1) Beginning the first day of January or July which follows nine  
136 months in retirement, a retired member who retired on or after  
137 September 1, 1992, or a member's successor beneficiary, except a  
138 person receiving survivor's benefits, shall be eligible for an annual cost  
139 of living allowance. [for each year in which the plan actuaries have  
140 certified under the provisions of subsection (n) of this section that  
141 sufficient funds are available.] The cost of living allowance shall be  
142 calculated by using the percentage cost of living adjustment granted  
143 by the Social Security Administration for the applicable year,  
144 computed on the basis of the retirement benefits to which such retired  
145 member or successor beneficiary was entitled on the last day of the  
146 preceding December or June except benefits based upon one per cent  
147 or voluntary contributions, provided no cost of living allowance shall  
148 exceed six per cent and provided further, if the total return earned by  
149 the trustees on the market value of the pension assets for the preceding  
150 fiscal year is less than eight and one-half per cent, any cost of living  
151 allowance granted shall not exceed one and one-half per cent.

152 (2) A member entering the retirement system commencing on or

153 after July 1, 2007, or such member's successor beneficiary, except a  
154 person receiving survivor's benefits, shall, beginning the first day of  
155 January or July that follows nine months in retirement, be eligible for  
156 an annual cost of living allowance as follows: The cost of living  
157 allowance shall be calculated by using the percentage cost of living  
158 adjustment granted by the Social Security Administration for the  
159 applicable year, computed on the basis of the retirement benefits to  
160 which such retired member or successor beneficiary was entitled on  
161 the last day of the preceding December or June, as applicable, except  
162 benefits based upon one per cent of voluntary contributions, provided  
163 (A) no cost of living allowance shall exceed five per cent, and (B) if the  
164 total return earned by the trustees on the market value of the pension  
165 assets for the preceding fiscal year is less than eight and one-half per  
166 cent, any cost of living allowance granted shall not exceed one per  
167 cent, if such total return for the preceding fiscal year is greater than  
168 eight and one-half per cent but less than eleven and one-half per cent,  
169 any cost of living allowance granted shall not exceed three per cent,  
170 and if such return exceeds eleven and one-half per cent, any cost of  
171 living allowance granted shall not exceed five per cent.

172       Sec. 11. Section 10-183i of the general statutes is repealed and the  
173 following is substituted in lieu thereof (*Effective July 1, 2007*):

174       (a) A member may make voluntary contributions to the system and  
175 may, no more than once, withdraw such voluntary contributions from  
176 the system under rules of the board. Such contributions shall earn  
177 credited interest, which shall be the actual rate of return earned by the  
178 funds of the system in the immediately concluded fiscal year. The State  
179 Treasurer shall certify the investment return to the Retirement Board  
180 on or before September first following the close of the fiscal year, and  
181 such interest shall be applied to a member's account based on the  
182 balance as of the previous June thirtieth.

183       (b) Upon retirement such member shall elect to receive the  
184 accumulated contributions plus credited interest either in a lump sum  
185 or in the form of an actuarially equivalent annuity for life. Such lump

186 sum or annuity shall be paid or commenced to be paid when the first  
187 payment of such member's other retirement benefit is made. If such  
188 member dies before the effective date of his or her retirement, the  
189 accumulated contributions plus credited interest shall be paid to such  
190 member's designated beneficiary.

191 Sec. 12. Section 10-183r of the general statutes is repealed and the  
192 following is substituted in lieu thereof (*Effective July 1, 2007*):

193 The system shall be funded as follows:

194 (1) All expenses of the administration of the system, exclusive of  
195 payment of benefits, shall be paid for out of amounts appropriated by  
196 the General Assembly on certifications and recommendations  
197 submitted by the board.

198 (2) The cost of all benefits payable from the system shall be paid out  
199 of the retirement fund which shall consist of contributions paid by  
200 members, appropriations by the General Assembly based upon  
201 certifications and recommendations submitted by the board, the  
202 proceeds of bonds held by the system under section 10-183m, the  
203 proceeds of bonds issued pursuant to sections 1 to 8, inclusive, of this  
204 act, and earnings of the system.

205 Sec. 13. Subsection (a) of section 10-183z of the general statutes is  
206 repealed and the following is substituted in lieu thereof (*Effective July*  
207 *1, 2007*):

208 (a) The retirement system for teachers shall be funded on an  
209 actuarial reserve basis. The retirement board shall, on or before the  
210 December first[, annually] which precedes the first fiscal year of the  
211 next biennial state budget, certify to the General Assembly the  
212 [amount] amounts necessary for each fiscal year of the biennium, on  
213 the basis of an actuarial determination to establish and maintain the  
214 retirement fund on such determined actuarial reserve basis and make  
215 such other recommendations with regard to the fund and its  
216 administration as the board deems necessary. On the basis of each

217 evaluation, the retirement board shall redetermine the normal rate of  
 218 contribution and, until it is amortized, the unfunded past service  
 219 liability. The General Assembly shall review the board's  
 220 recommendations and certification and shall appropriate to the  
 221 retirement fund the [amount] amounts certified by the retirement  
 222 board as necessary, provided said certification is in compliance with  
 223 this section. The retirement board shall, on or before the December first  
 224 which precedes the second fiscal year of the biennium, prepare and  
 225 submit to the General Assembly revised actuarial determinations,  
 226 including a revised annual required contribution for the second fiscal  
 227 year of the biennium.

228 Sec. 14. (NEW) *(Effective July 1, 2007)* Effective July 1, 2007, the cost  
 229 of living adjustment reserve account created by subsection (n) of  
 230 section 10-183g of the general statutes shall cease, and all funds  
 231 credited to such account shall be credited to, and remain within, the  
 232 Teachers' Retirement Fund.

233 Sec. 15. Subsections (m) and (n) of section 10-183g of the general  
 234 statutes are repealed. *(Effective July 1, 2007)*

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2007</i>	New section
Sec. 2	<i>July 1, 2007</i>	New section
Sec. 3	<i>July 1, 2007</i>	New section
Sec. 4	<i>July 1, 2007</i>	New section
Sec. 5	<i>July 1, 2007</i>	New section
Sec. 6	<i>July 1, 2007</i>	New section
Sec. 7	<i>July 1, 2007</i>	New section
Sec. 8	<i>July 1, 2007</i>	New section
Sec. 9	<i>July 1, 2007</i>	10-183c
Sec. 10	<i>July 1, 2007</i>	10-183g(l)
Sec. 11	<i>July 1, 2007</i>	10-183i
Sec. 12	<i>July 1, 2007</i>	10-183r
Sec. 13	<i>July 1, 2007</i>	10-183z(a)
Sec. 14	<i>July 1, 2007</i>	New section



Sec. 15	<i>July 1, 2007</i>	Repealer section
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***APP***      *Joint Favorable C/R*      FIN

***FIN***      *Joint Favorable Subst.*